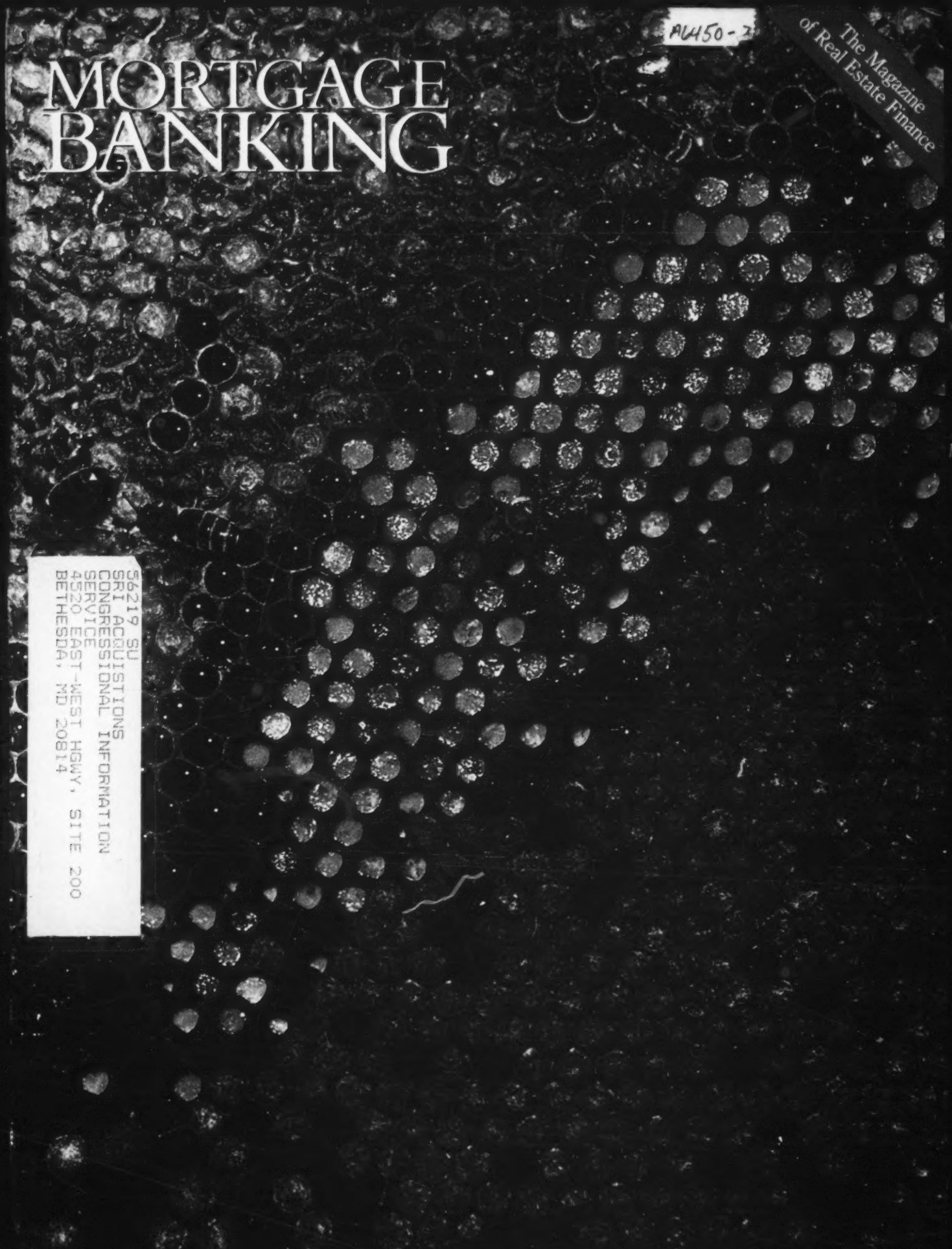

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MORTGAGE BANKING

VOLUME 46 NO. 8
MAY 1986

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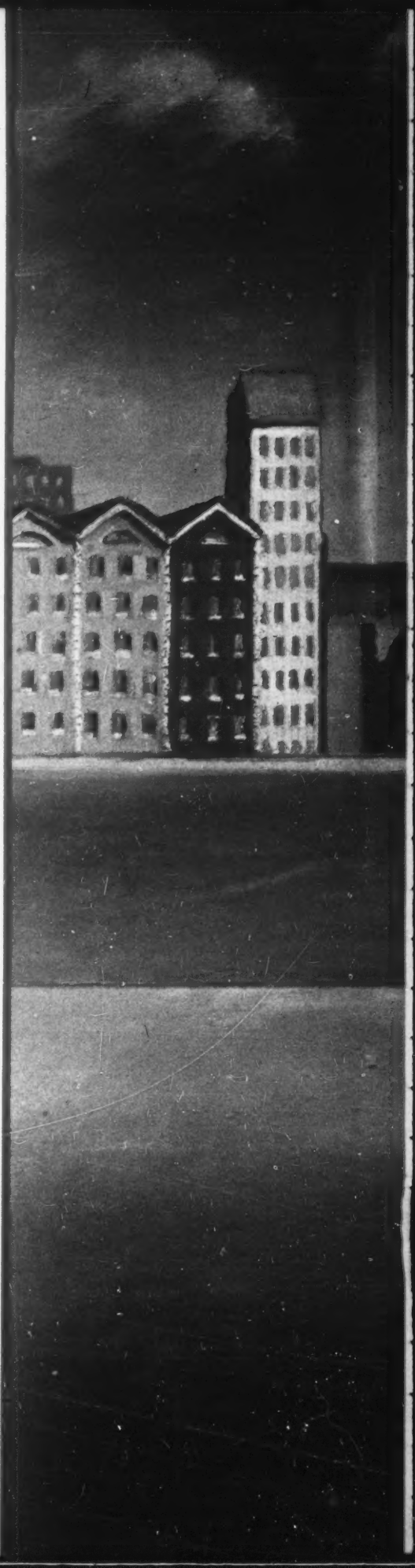
FREDDIE MAC'S MULTIFAMILY SHOPPING SPREE



In 1985, the Federal Home Loan Mortgage Corporation (Freddie Mac) purchased conventional multifamily mortgages in record volume under its multifamily programs. At year-end, Freddie Mac had committed to purchase more than $2 billion of multifamily mortgages, representing more than 2,000 mortgages approved for purchase. This total was double the amount projected for the year and, when compared with the two previous years, represented an approximate increase of 300 percent during 1984 and 600 percent during 1983.

Freddie Mac purchased these mortgages under two programs—plan A and plan B. The more popular of the two, plan B, accepts mortgages that are typically amortized over a 30-year period but have stated maturities of 10- to 15-years with a balloon payment at maturity. The borrower cannot prepay, in part or in whole, a plan B mortgage for a minimum period of 54 months after delivery to Freddie Mac. However, the mortgage may be assumed by a qualified borrower subject to Freddie Mac's approval. The plan A program is basically for purchases of 10- to 30-year, nonassumable mortgages, most of which are fully amortizing. (A Freddie Mac multifamily program summary is provided in this article for further information about these plans.)

Charles Goetze

With the tremendous amount of volume generated by these purchase programs, Freddie Mac needed to streamline its multifamily processing in order to handle the volume and still continue to purchase investment quality mortgages while keeping the approval turnaround time down to an acceptable level. With this in mind, Freddie Mac has developed new forms to reduce the processing time and has begun developing a new automated multifamily underwriting system.

Development of two new forms

To streamline multifamily mortgage processing, two new forms have been developed—the apartment analysis and rental overview form and the multifamily property underwriting analysis form. Both forms are intended to be completed by seller/servicers.

The apartment analysis and rental overview form is a generic inspection form that can be used by Freddie Mac, the seller or an independent third party inspector. The form is intended to provide the reviewer an independent verification of certain physical and economic characteristics common to multifamily properties. Specifically, the form will provide:

- A general overview of the marketability and appeal of the area and neighborhood.
- Current vacancy information for both the neighborhood and the subject property.
- A comparison of the subject property and competing properties in the area.
- A review of the appraiser's rental comparables used in the appraisal report.

Freddie Mac's regional personnel will now have the option of accepting the inspection form that is completed by a selected seller, eliminating the need for a Freddie Mac inspection. This option should speedup processing time by an average of eight days. Prior to the development of this form, Freddie Mac or a third party inspected every property prior to the approval of the mortgage for purchase.

The multifamily property underwriting analysis form is—as its name implies—a form to be used in underwriting multifamily mortgages. The form provides a working document for the seller's underwriting analysis of the subject mortgage. The corporation intends to have all sellers submit this form as part of each mortgage file. This will reduce the time required by a Freddie Mac underwriter to compile the figures required to underwrite a multifamily mortgage.

The form will standardize and consolidate the underwriting process. Each seller already performs an underwriting analysis prior to submitting the loan package to Freddie Mac. Unfortunately, the sellers often present their figures in different formats. The new form should promote consistency and assist the underwriters to complete their analysis in a more timely manner.

These two multifamily forms are available through any of Freddie Mac's regional offices. Interested sellers are encouraged to contact a multifamily specialist in these offices to discuss the new forms and to review the programs. Instructions for completing the forms will be provided with the package of materials.

A new automated multifamily underwriting system

In addition to developing new forms, Freddie Mac is working to streamline its processing in other ways. A new automated multifamily underwriting system (AMUS) is currently under development. This new system will utilize the information supplied by the seller on the new multifamily property underwriting analysis form to assist the underwriter in the actual "number crunching." The system will be PC-driven, using d-Base software and eventually will be integrated into Freddie Mac's Mortgage Information Direct Access System (MIDAS) mainframe system. The system is designed both to assist the underwriter in analysis of the mortgage and generate numerous statistical reports and complete Freddie Mac forms. This automated system should free up staff from many mathematical calculations and allow them to concentrate on analysis and underwriting of mortgages.

AMUS is currently being tested and it is anticipated that it will be operational by mid-1986. Future applications of this new system will include a Mortgage Information Direct Access System Network (MIDANET)-type enhancement, utilizing a seller's own system to transmit data prior to submittal of a mortgage package to Freddie Mac.

Plan B enhancements under review

In response to comments from seller/servicers, Freddie Mac is developing enhancements to the plan B program. These enhancements include: pricing differentials for 10- and 15-year balloon mortgages; a potential 7-year balloon mortgage under the plan B program (with separate pricing); ex-

Charles Goetze is director of multifamily/project loans for Freddie Mac. Prior to joining Freddie Mac, Goetze was assistant vice president and manager-income property lending for Talman Home Investment, a subsidiary of Talman Home Federal Savings and Loan Association of Illinois.

CHART 1

Freddie Mac Cash Programs Only

Commitment activity 1983 through 1985
Loan Approvals

	1983	1984	1985
Dollar volume	$372.9 mil	$487.6 mil	$2.271 bil
Number of loans	375	436	1,926

Regional Comparison 1984 to 1985

	1984		1985	
	Loan #	Amount	Loan #	Amount
NE	196	$250.7 mil	715	$1.022 bil
SE	71	87.1 mil	261	322.2 mil
NC	89	89.6 mil	320	356.5 mil
SW	44	42.7 mil	196	210.9 mil
W	36	17.5 mil	434	359.1 mil

tended option periods under prior approval; rate lock optional commitments and shorter mandatory delivery contracts (with separate pricing).

In reviewing the proposal to offer separate net yield requirements, Freddie Mac expects the yield on a 10-year plan B to be about 20 basis points less than the 15-year plan B. A 7-year balloon mortgage may be added to the plan B program. The pricing differential has not yet been determined.

Under the plan B prior approval program, the maximum optional commitment period is 60 days, but Freddie Mac is considering adding optional periods extending from 2 to 12 months. A seller would be required to designate the delivery period and the type of commitment when submitting the loan for prior approval so that the Freddie Mac underwriter will know the appropriate interest rate to use. Yields and fees will be determined based on the optional period selected.

A rate lock optional commitment, under review, would lock the seller into a maximum yield, but would not be tied to a specific mortgage as is the case under the prior approval program. These rate lock optional commitments would be offered for commitments periods of 2 to 12 months to lock-in a rate before submitting an application. It would be useful for rate projections on new construction projects, rehabilitation projects or pipeline commitments.

Also under consideration is a 10-day mandatory delivery contract in addition to the present 30-day mandatory delivery contract. The 10-day mandatory delivery contract would provide a reduction in the required net yield relative to the 30-day mandatory commitment, with the differential varying according to market conditions.

As Freddie Mac begins to implement any of these proposed enhancements, all eligible seller/servicers will be notified promptly so that they may take full advantage of the programs.

Interest in these multifamily programs is on the rise and a total anticipated volume of $3 billion or more is expected in 1986. With this increased volume will come more pass-through securities backed entirely by newly originated multifamily mortgages. Freddie Mac sold $800 million of multifamily mortgage participation certificates (PCs) in the summer of 1985. (See the article in ***Mortgage Banking***, February 1986, "Multifamily Securities—An Untapped Market" and the article in ***Secondary Mortgages Market***, Winter 1985-86, "High Rising Securitizing.") The creation of the multifamily PC should improve the liquidity of multifamily mortgages and thereby increase the flow of funds to that sector.

As purchase volume increases, Freddie Mac will continue to update its processing system and develop new procedures that meet sellers' needs. The corporation was the first to respond to the need for a secondary market program for conventional multifamily loans—back in 1972—and continues to lead the mortgage industry with aggressive, creative solutions to multifamily financing programs for the 1980s and beyond. □

Our experts are at your beck and call.

Through our system of regional offices, Freddie Mac makes it easy to do business locally. And, because our representatives live in your area, they're never far away when you call.

Freddie Mac's five regional offices are listed below. The gnomes of Freddie Mac are waiting to hear from you.

Northeast Region
2001 Jefferson Davis Highway
Suite 901, P.O. Box 2408
Arlington, Virginia 22202-0408
(703) 685-1455

North Central Region
333 West Wacker Drive, Suite 3100
Chicago, Illinois 60606-1287
(312) 407-7474

Southeast Region
2839 Paces Ferry Road, N.W.
Suite 700, P.O. Box 723288
Atlanta, Georgia 30339-3778
(404) 438-3800

Southwest Region
12222 Merit Drive, Suite 700
Dallas, Texas 75251
(214) 702-2000

Western Region
15303 Ventura Boulevard, Suite 800
Sherman Oaks, California 91403
(818) 905-3400

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THE GNOMES KNOW®

Freddie Mac

MORTGAGE MARKET TRENDS

The swelling volume of loan applications in recent months has strained the industry's processing capabilities to the point where many mortgage lenders are currently faced with the decision whether or not to add personnel permanently or temporarily to their production capacity. Obviously, such a decision depends on one's judgment as to whether or not the recent volume of originations is merely a flash in the pan or representative of what we can expect during the foreseeable future.

From where MBA stands, there are good reasons to believe that recent mortgage market trends are fairly indicative of things to come. As we have stated in recent columns, our crystal ball reveals a highly favorable interest rate environment throughout the year. Thus far, the pace of economic growth in 1986 has been restrained by sluggish consumer spending, lethargic business investment and accordingly, weak industrial production. Despite the sharp drop in the foreign exchange value of the dollar since last summer, the manufacturing sector as a whole has yet to reap the benefits of its improved price competitiveness abroad. Also, falling oil prices have hampered the ability of oil-producing, less-developed countries to service their enormous debt burdens, thereby threatening our financial system with the renewed risk of massive loan defaults. Thus, in light of these circumstances, it seems reasonable to assume that the Federal Reserve Board (Fed) will continue to pursue an accommodative monetary policy, keeping interest rates near or slightly below current levels through the first half of the year.

Further, we remain fairly optimistic that the combination of the spirit of the Gramm-Rudman Act and grass roots pressure to restore fiscal discipline to the federal budget, will produce the long overdue, albeit gradual reduction, in the budget deficit. Therefore, with the improved prospects for fiscal restraint, interest rates may not come under much upward pressure even though the rate of economic growth turns up in the second half.

As a result, the current wave of refinancing activity is likely to last well into the summer months, for there are still thousands of homeowners with above-market mortgages that have yet to jump off the fence. For example, there are currently 2 million Federal Housing Administration/Veterans Administration (FHA/VA) loans outstanding with interest rates above 12 percent. Clearly, the well of refinancing business runs deep in the anticipated interest rate environment.

Moreover, origination activity related to housing sales is likely to pickup throughout the year. For example, housing purchases can be expected to improve in the late spring and early summer months when housing purchases are typically the strongest. In addition, sales are likely to increase as economic growth in the second half of the year begins to accelerate. Affordable interest rates, low oil prices, the wealth effects of the stock market rally earlier in the year and a gradually rebounding trade sector should improve employment and real income growth, in turn helping to lift housing sales activity off the plateau it has rested upon since the fourth quarter of 1985. Therefore, even if refinancing activity begins to slacken later in the year, a faster pace of economic growth in latter half of the year may very well generate a boost in home sales, subsequently maintaining a high level of loan applications for the year as a whole.

While one cannot rule out an abrupt rise in interest rates due to a breakdown in the federal budget talks, political pressures to produce a credible deficit reduction package will hopefully avoid such a development.

In sum, the current volume of business is not likely to be a temporary phenomenon. On the contrary, there is every reason to believe that 1986 residential loan origination volume will be the strongest on record, with mortgage bankers capturing at least 30 percent of a forecasted total of $300 billion.

Edison R. Zayas
Senior Economist
April 14, 1986

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS: Actual			HOUSING STARTS: Seasonally Adjusted Annual Rate			PERMITS 17,000 ISSUING PLACES: Actual			PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1985												
OCT	173	112	61	1,772	1,197	575	158	100	58	1,688	1,077	611
NOV	125	80	45	1,566	1,041	525	120	74	47	1,661	1,029	632
DEC	115	71	44	1,882	1,181	701	128	68	60	1,873	1,101	763
1986												
JAN	116	79	37	2,034	1,442	592	119	74	45	1,907	1,223	684
FEB	107	71	36	1,997	1,319	678	109	68	41	1,803	1,147	656
MAR	150	104	46	1,949	1,300	649	151	96	55	1,946	1,152	794
1985 TOTAL	1,736	1,165	571				1,741	1,085	656			
1984 TOTAL	1,750	1,206	544				1,682	1,065	617			
3 MONTHS												
1986	373	254	119				379	240	139			
1985	344	235	109				349	223	126			
1984	372	259	113				382	244	138			
1983	323	225	99				313	203	109			

RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

YEAR AND MONTH	STARTS: Actual				STARTS: Seasonally Adjusted Annual Rate				PERMITS 17,000 ISSUING PLACES: Actual				PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rate			
	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West
1985																
OCT	32	28	72	41	299	226	801	458	29	25	65	39	282	228	736	442
NOV	20	17	57	30	235	210	767	442	21	16	52	32	270	202	716	473
DEC	17	13	57	34	283	261	870	468	19	17	62	30	276	295	862	440
1986																
JAN	14	10	62	29	350	318	909	457	14	12	58	34	304	329	770	504
FEB	13	11	51	33	411	364	744	478	12	12	53	32	301	306	727	469
MAR	21	20	70	40	332	336	772	510	21	20	84	46	282	276	708	680
1985 TOTAL	251	240	779	467					265	238	755	482				
1984 TOTAL	204	243	866	436					201	212	812	457				
3 MONTHS																
1986	48	41	183	102					47	44	175	112				
1985	34	32	180	99					44	32	171	103				
1984	27	35	212	98					31	35	206	110				
1983	25	27	201	71					25	26	191	71				

HOUSING ACTIVITY (Cont'd.)

YEAR AND MONTH	HOUSING SALES (Units in thousands) EXISTING HOUSES[1]	NEW HOMES Sold	NEW HOMES Available For Sale	NEW HOMES Months Supply at Current Rate	VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in billions) Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Non-res.	CONSTRUCTION STATUS (Units in thousands) Seasonally Adjusted Annual Rate Under Construction Total	1-4 Units	5+ Units	Completions Total	1-4 Units	5+ Units
1985														
SEP	281	54	352	6.4	203.4	84.1	29.7	89.6	1,063	624	439	158	110	48
OCT	301	52	358	6.5	204.2	85.3	30.3	88.6	1,087	633	456	151	110	41
NOV	246	51	357	6.1	205.1	86.0	29.2	89.9	1,087	627	460	143	100	43
DEC	221	47	352	5.8	210.4	86.6	29.9	93.9	1,088	618	471	162	113	49
1986														
JAN	213	54	353	6.2	212.1	89.2	29.9	93.0	1,097	629	467	122	81	41
FEB[p]	217	55	347	6.4	217.7	91.3	31.0	95.4	1,116	642	473	118	76	42
1985 TOTAL	3,216	686										1,700	1,167	533
1984 TOTAL	2,868	639										1,652	1,137	515
2 MONTHS														
1986	430	109										240	157	83
1985	386	98										240	163	77
1984	380	110										221	153	68
1983	318	90										159	113	46

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED

By Type of Institution and By Unit Type

(Dollars in millions)

YEAR AND MONTH	TOTAL Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	1-4 UNITS Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1985										
APR	26,291	5,020	11,955	7,403	1,913	18,069	4,627	9,178	4,208	56
MAY	28,564	4,900	13,096	8,519	2,049	19,954	4,729	10,268	4,897	60
JUN	32,571	5,869	12,665	12,370	2,113	21,151	5,286	9,551	6,232	82
JUL	30,932	6,503	11,709	11,051	2,144	21,273	5,969	9,093	6,110	101
AUG	34,928	7,792	13,324	11,832	1,980	25,518	7,028	10,996	7,390	104
SEP[p]	32,856	7,193	13,316	7,197	5,149	23,850	6,709	10,483	6,541	117
1984 TOTAL	297,406	53,160	129,482	97,776	16,988	196,139	44,500	96,187	54,626	826
1983 TOTAL	276,371	65,050	103,882	91,500	15,939	193,535	55,680	81,524	55,605	726
9 MONTHS										
1985	221,242	42,730	89,760	74,201	14,551	148,989	45,942	78,796	47,363	713
1984	222,682	39,605	100,001	71,738	11,338	140,133	37,024	75,640	40,964	596
1983	199,416	45,560	76,541	67,099	10,216	145,776	42,649	60,943	41,657	527
1982	88,890	19,932	29,390	33,847	5,721	61,676	18,158	24,040	19,100	378

LENDER ACTIVITY (Cont'd.)

LOANS CLOSED (Cont'd.)

(Dollars in millions)

YEAR AND MONTH	5+ UNITS					NONRESIDENTIAL				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1985										
APR	1,948	174	1,223	406	145	6,274	219	1,554	2,789	1,712
MAY	1,992	34	1,238	505	215	6,618	137	1,590	3,117	1,774
JUN	2,519	418	1,417	590	94	9,347	165	1,697	5,548	1,937
JUL	1,804	53	974	604	173	8,330	481	1,642	4,337	1,870
AUG	2,201	239	1,085	665	212	7,209	525	1,243	3,777	1,664
SEP[p]	2,202	287	1,099	656	160	8,907	197	1,734	5,149	1,827
el4										
1984 TOTAL	22,125	1,980	13,160	5,519	1,466	79,142	6,680	20,135	37,631	14,696
1983 TOTAL	19,443	3,840	8,521	5,485	1,597	63,393	5,530	13,837	30,410	13,616
9 MONTHS										
1985	17,746	1,789	9,812	4,734	1,411	65,619	2,167	14,468	34,453	14,531
1984	15,131	399	9,694	4,203	835	53,327	2,182	14,667	26,571	9,907
1983	11,207	540	5,983	3,767	917	42,433	2,371	9,615	21,675	8,772
1982	4,535	605	2,013	1,605	312	22,679	1,169	3,337	13,142	5,031

LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

YEAR AND MONTH	ISSUED DURING MONTH					OUTSTANDING				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1985										
APR	25,008	4,052	14,893	3,798	2,265	98,391	11,102	55,146	15,865	16,278
MAY	26,151	4,507	15,100	4,115	2,429	99,080	10,545	55,898	16,223	16,414
JUN	28,091	5,731	14,174	5,385	2,801	105,354	13,116	56,079	19,126	17,033
JUL	27,791	5,686	14,594	4,928	2,583	99,706	14,684	49,838	17,882	17,302
AUG[p]	32,123	6,588	16,969	5,434	3,132	103,290	14,190	50,198	20,243	18,659
SEP[p]	30,531	5,878	16,055	6,094	2,504	114,357	15,530	50,579	29,268	18,980
1984 TOTAL	264,193	50,100	146,184	47,065	20,844					
1983 TOTAL	260,343	81,070	123,361	38,195	17,717					
9 MONTHS										
1985	236,017	42,408	125,773	44,761	23,075					
1984	199,155	34,630	113,185	36,589	14,751					
1983	157,881	48,595	66,712	28,797	13,777					
1982	74,886	26,094	30,061	14,036	4,695					

MORTGAGE INSURANCE

(Units in thousands, Dollars in millions)

YEAR AND MONTH	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	Total	FHA[3]	VA	Private	Total		FHA(203)		VA		Private	
					Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1985												
SEP	201	82	26	93	130	8,545	47	2,771	20	1,318	63	4,456
OCT	205	84	24	97	122	8,308	34	2,041	16	1,120	72	5,147
NOV	173	78	27	68	128	8,488	47	2,795	25	1,693	56	4,000
DEC	163	80	22	61	93	6,319	23	1,359	19	1,347	51	3,613
1986												
JAN	205	130	24	51	110	7,298	45	2,659	19	1,304	46	3,335
FEB[p]	211	136	25	50	97	6,594	46	2,773	18	1,242	34	2,579
1985 TOTAL	2,194	902	251	1,041	1,261	83,305	338	19,784	192	13,046	731	50,475
1984 TOTAL	1,862	477	180	1,205	1,344	86,775	200	10,644	198	12,728	946	63,403
2 MONTHS												
1986	416	266	49	101	207	13,892	90	5,432	37	2,546	80	5,914
1985	215	49	30	136	166	10,760	30	1,704	24	1,590	112	7,466
1984	244	53	36	155	210	13,484	34	1,846	66	2,993	129	8,645
1983	275	137	57	81	116	6,808	31	1,432	25	1,591	60	3,785

SECONDARY MARKET ACTIVITY

(Dollars in millions)

YEAR AND MONTH	FNMA Portfolio Comm.	FNMA Portfolio Purc.	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC Comm. to Sell	FHLMC Comm. to Buy	FHLMC Mtg. Purc.	FHLMC Mtg. Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
1985										
SEP	1,638	1,739	48,769	3,654	2,757	2,919	4,219	4,501	6,927	4,403
OCT	1,733	1,767	50,363	2,228	4,169	3,995	3,215	3,081	6,849	5,795
NOV	1,199	1,624	52,198	2,469	5,394	4,354	3,681	3,449	6,059	5,251
DEC	1,858	1,663	54,987	3,365	3,076	3,425	6,095	6,335	5,699	4,520
1986										
JAN	1,315	1,188	58,391	3,964	4,880	5,273	3,709	3,300	10,103	5,298
FEB[p]	2,578	1,159	60,752	2,978	n.a.	n.a.	n.a.	n.a.	5,573	4,001
1984 TOTAL	21,007	16,721	—	13,546	30,743	32,601	21,885	20,489	36,101	27,857
1983 TOTAL	18,607	17,553	—	13,340	30,921	32,846	22,952	21,376	70,280	50,496
2 MONTHS										
1986	3,893	2,347	—	6,942	4,880	5,273	3,709	3,300	16,076	10,304
1985	3,195	3,502	—	2,733	7,573	7,886	5,444	4,409	8,755	5,354
1984	3,702	1,285	—	1,377	2,420	2,855	2,808	978	6,922	5,748
1983	2,790	3,639	—	2,295	2,851	2,927	3,167	3,397	8,909	6,230

INTEREST RATES AND YIELDS

YEAR AND MONTH	1- to 4-UNIT MORTGAGES: FHA OPINION SURVEY FHA NEW[4]	FHA OPINION SURVEY CONVENTIONAL New	FHA OPINION SURVEY CONVENTIONAL Existing	FHLBB SURVEY CONVENTIONAL New	FHLBB SURVEY CONVENTIONAL Existing	FNMA 1 Yr. ARM (1%/Yr.)	FNMA FRM Conv.	APARTMENTS[5]
1985								
SEP	12.04%	12.02%	12.03%	11.17%	11.20%	10.54%	11.775%	13.21%
OCT	11.87	11.86	11.88	11.09	11.32	10.50	11.575	13.03
NOV	11.28	11.56	11.58	11.01	11.26	10.26	11.160	12.38
DEC	10.70	11.03	11.03	10.94	11.12	9.94	10.425	12.06
1986								
JAN	10.78	10.82	10.93	10.89	10.81	10.00	10.375	12.00
FEB	10.59	10.49	10.50	10.68	10.83	9.89	10.269	11.63
MAR[p]	n.a.	n.a.	n.a.	10.48	10.63	9.04	9.494	11.09

CURRENT SECONDARY MARKET YIELDS

YEAR AND MONTH	GNMA[6]	FNMA[6]	FHLMC[6]
1985			
SEP	11.41%	11.43%	11.47%
OCT	11.24	11.28	11.34
NOV	10.75	10.95	11.01
DEC	10.02	n.a.	n.a.
1986			
JAN	9.99	10.18	10.22
FEB	9.75	9.90	9.95
MAR[p]	9.05	9.23	9.27

SELECTED SECURITIES

YEAR AND MONTH	A-Rated[7] Utility	U.S. Government 10-yr.	U.S. Government 26-wk.	Prime Comm. Paper 90-119 Days
1985				
SEP	11.87%	10.37%	7.27%	7.83%
OCT	11.82	10.24	7.33	7.80
NOV	11.38	9.78	7.30	7.77
DEC	10.91	9.26	7.14	7.75
1986				
JAN	10.74	9.19	7.16	7.71
FEB	10.21	8.70	7.11	7.63
MAR[p]	9.41	7.78	6.57	7.20

SPREADS (Basis Points)

YEAR AND MONTH	FHA New Minus A-Utility	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1985				
SEP	17	104	106	110
OCT	49	100	104	110
NOV	(10)	97	117	123
DEC	(21)	76	n.a.	n.a.
1986				
JAN	4	80	99	103
FEB	38	105	120	125
MAR[p]	n.a.	127	145	149

n.a.—Not available; p—Preliminary

[1] From the National Association of Realtors "Existing Home Sales" series

[2] Mutual Savings Banks and Commercial Banks.

[3] FHA applications received includes the Direct Endorsement Program starting in 1984.

[4] Secondary market gross yields.

[5] Federal Home Loan Mortgage Corp. Existing Construction only.

[6] Securities for 0 to 30 day delivery.

[7] Prior to January 1984 this rate was for Aaa-rated New Issue Utility Bonds.

[8] Year-to-date seasonally adjusted series not calculated.

[9] 1985 data on mortgage bankers obtained from the HUD Survey of Mortgage Lending Activity.

* = 11 Month Totals

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

YEAR AND MONTH	NOT SEASONALLY ADJUSTED									SEASONALLY ADJUSTED			
		1-4 Units				5+ Units							
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] res.	Total[2]	1-4 Units	5+ Units	Non-[3] res.
1984													
JUL	$ 3,760	$ 3,330	$ 800	$ 530	$ 2,000	$ 0	$ 0	$ 0	$ 430	$3,530	$2,960	$ 0	$460
AUG	3,570	3,070	520	380	2,170	0	0	0	500	3,120	2,600	0	510
SEP	3,050	2,400	550	380	1,470	70	70	0	580	3,380	2,500	120	780
OCT	3,700	3,110	820	470	1,820	0	0	0	590	3,600	2,920	0	750
NOV	3,370	3,090	820	470	1,800	0	0	0	280	3,890	3,610	0	280
DEC	5,250	4,090	1,260	690	2,120	80	0	80	1,080	4,080	3,560	70	770
1983 Total	65,050	55,680	20,620	12,570	22,490	3,840	810	3,030	5,530				
1984 Total	53,170	44,500	10,850	7,130	26,520	1,980	120	1,860	6,680				
12 MONTHS[5]													
1984	53,170	44,500	10,850	7,130	26,520	1,980	120	1,860	6,680				
1983	65,050	55,680	20,620	12,570	22,490	3,840	810	3,030	5,530				
1982	29,250	24,440	8,510	5,160	10,770	1,580	640	940	3,230				
1981	33,470	25,830	8,380	6,200	11,250	1,740	770	970	5,910				

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS[1]

YEAR AND MONTH	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-[3] res.	Total	1-4 Units	5+ Units	Non-[3] res.	1-4 Units	5+ Units	Non-[3] res.	1-4 Units	5+ Units	Non-[3] res.
1984														
JUL	$ 4,060	$ 2,940	$ 0	$1,120	$ 4,050	$ 3,580	$ 20	$ 450	$10,840	$ 70	$570	$9,870	$250	$1,570
AUG	2,920	2,630	0	290	4,220	3,380	10	830	7,430	40	500	7,730	210	1,600
SEP	2,910	2,640	30	240	2,760	2,400	80	280	7,350	300	500	7,460	480	800
OCT	3,910	3,240	0	670	4,550	4,090	30	430	7,660	170	540	8,400	370	740
NOV	3,430	2,820	0	610	3,880	2,760	170	950	7,460	40	690	6,940	270	1,050
DEC	5,480	4,090	430	960	4,860	3,910	80	860	7,850	100	760	7,510	330	1,170
1983 TOTAL	81,070	67,740	4,310	9,020	79,450	64,240	5,770	9,440						
1984 TOTAL	50,100	41,420	510	8,170	55,550	43,820	3,160	8,570						
12 MONTHS[5]														
1984	50,100	41,420	510	8,170	55,550	43,820	3,160	8,570						
1983	81,070	67,740	4,310	9,020	79,450	64,240	5,770	9,440						
1982	47,800	36,760	3,330	7,710	46,740	34,380	3,960	8,400						
1981	36,700	30,170	1,200	5,330	44,700	30,410	1,740	12,550						

OUTSTANDING END OF MONTH INVENTORY[1]

YEAR AND MONTH		1-4 Units				5+ Units			
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-res.[3]
1984									
JUL	$8,870	$6,990	$1,480	$1,090	$4,420	$730	$0	$730	$1,150
AUG	7,070	5,520	1,060	740	3,720	640	0	640	910
SEP	7,390	5,490	1,010	680	3,800	640	0	640	1,260
OCT	8,060	6,350	1,190	870	4,290	600	0	600	1,110
NOV	8,010	6,280	1,190	850	4,240	590	0	590	1,140
DEC	6,840	6,000	1,500	980	3,610	120	0	120	720

MORTGAGE BANKING ACTIVITY (Cont'd.)

YEAR AND MONTH	COVERAGE[4] 1-4 Units	COVERAGE[4] 5+ Units	COVERAGE[4] Non-[3] res.	SERVICING VOLUME[1] Total	SERVICING VOLUME[1] 1-4 Units	SERVICING VOLUME[1] 5+ Units	SERVICING VOLUME[1] Non.[3] res.	NOTES PAYABLE[1] (End of Month Balances) Total	Comm. Paper	To Banks	To Others
1984											
JUL	55%	31%	91%	$421,420	$317,600	$63,980	$39,840	$41,960	$6,190	$12,710	$23,060
AUG	60	31	113	363,570	282,400	42,060	39,110	47,940	5,750	13,220	28,970
SEP	58	51	45	381,070	302,840	39,300	38,930	59,220	4,520	14,240	40,460
OCT	60	48	45	417,780	339,960	40,660	37,160	57,230	4,830	17,070	35,330
NOV	51	43	57	422,490	350,580	39,790	32,120	54,180	4,820	19,180	30,180
DEC	58	46	88	385,270	321,620	33,110	30,540	42,280	4,790	23,880	13,610

CONSTRUCTION AND LAND LOAN ACTIVITY[1]

YEAR AND MONTH	CONSTRUCTION LOANS CLOSED Total	1-4 Units	5+ Units	Non-[3] res.	DISBURSEMENTS DURING MONTH Total	1-4 Units	5+ Units	Non-[3] res.	Land Loans	END OF MONTH INVENTORY Total	1-4 Units	5+ Units	Non-[3] res.	Land Loans
1984														
JUL	$790	$130	$210	$450	$280	$ 70	$10	$200	$180	$2,760	$ 900	$240	$1,620	$1,120
AUG	410	110	130	170	100	60	0	40	90	2,200	790	190	1,220	830
SEP	440	100	160	180	100	50	10	40	120	2,150	790	180	1,180	800
OCT	400	210	100	90	90	40	10	40	130	2,180	780	220	1,180	870
NOV	210	140	50	20	170	110	20	40	240	3,520	1,380	410	1,730	2,260
DEC	470	270	120	80	430	220	30	180	470	3,240	1,790	790	1,660	1,440

COMMITMENTS TO BORROWERS: AND LAND CONSTRUCTION LOANS[1]

YEAR AND MONTH	ISSUED DURING MONTH Total	1-4 Units	5+ Units	Non-[3] res.	END OF MONTH BALANCES Total	1-4 Units	5+ Units	Non-[3] res.
1984								
JUL	$1,730	$130	$ 60	$1,540	$4,090	$870	$470	$2,750
AUG	770	190	80	500	3,680	850	460	2,370
SEP	760	100	80	580	4,170	760	580	2,830
OCT	710	150	160	400	3,820	860	590	2,370
NOV	380	140	70	170	3,230	680	430	2,120
DEC	790	320	10	460	3,510	900	280	2,330

Notes: [1] All dollar amounts are in millions.

[2] Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3] Series labeled non-residential are also inclusive of farm data.

[4] Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

[5] Year-to-date seasonally adjusted series not calculated.